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Robert K. Simpson
Director

December 17, 1996

Office of the Secretary
Federal Communications Commission
Room 222
1919 M Street NW
Washington, DC 20554

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RE: CC DOCKET 96-45, Comments on Federal-State Joint Board Recommended
Decision on Universal Service

As the agency responsible for providing telecommunications services to state government agencies, and in many cases local governments in the state of Georgia, the Information Technology Division of the Department of Administrative Services (DOAS-IT) welcomes this opportunity to comment on the Federal-State Joint Board Recommended Decision on Universal Service.

DOAS-IT competitively procures, provides, and administers telecommunications and information system services which serve a wide array of state and local entities, including hospitals and other health care and human service activities; public schools, technical schools, and universities; law enforcement agencies and correctional facilities; and a multitude of other state and local government agencies and authorities. These services include voice, data, and video networks; wireline and wireless services and equipment, including voice, data, and paging systems; radio and microwave systems; and distance learning and telemedicine networks via both landline and satellite. All of these services are provided via consolidated joint-use systems and a tightly integrated backbone telecommunications network which serves all these entities. We are particularly proud of the inroads we have made in provisioning what we believe is the world's largest terrestrial-based two-way compressed video teleconferencing system for distance learning and telemedicine, which extends these services into the rural environs of the state. We also provide telecommunications services to a number of cities and counties, including their K-12 school systems.

We would like to commend the Joint Board for their thorough investigation of this complex and difficult matter. We generally agree with most of their discussion and findings. However, there are a few matters in which we believe merit the Commission's further consideration and investigation, and modification to the Recommended Decision, before final approval.

We have reviewed and fully concur with the comments submitted by the National Association of State Telecommunications Directors (NASTD). The NASTD comments provide an excellent general overview of the issues based on their broad membership. Our comments, as you will see, more specifically address the issues with respect to the State of Georgia.

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First, we are concerned that the concept of providing universal service support to eligible schools, libraries, and rural health care providers who are members of purchasing consortia has not been adequately explored, and does not recognize the role that state telecommunications agencies, such as DOAS-IT, play in this process (re. Section 593 *et seq.*). Specifically, it appears that the Recommended Decision, as currently drafted, would not allow these entities in Georgia to continue to use services currently provided at volume discounted rates by DOAS-IT. This could result in the cost of these services to both these entities and all other users of these services to increase. Although such an outcome would likely be inadvertent, it should and can be prevented.

As a matter of explanation, in carrying out its statutory role DOAS-IT functions as an aggregator of service volumes for all users of its services, obtaining term and volume discounts based on their total requirements. These volume discounted services are then repackaged and provided to our customers as a complete service (i.e. in its simplest form combining network long distance with local dialtone and a telephone set as a single "service"). This process insures the best possible price performance to our users, and eliminates the cost of their individually obtaining and administering these services. Our services are not limited to just state government. Georgia statutes permit and in fact encourage local governments to avail themselves of our low cost services. Many local governments, or their individual departments (such as school districts), take advantage of this opportunity and enjoy the attendant reduced costs.

However, not just the local governments win from this arrangement. By adding their volumes to those generated by the state agencies, universities, and other authorized users, we are able to further leverage cost, and bring added savings to all users. The winner in this arrangement is the taxpayer, who, in the long run, pays for the cost of government at all levels.

Our concern is that the Commission will inadvertently create rules which force the deaggregation of these volumes, thereby causing not only the cost to schools, libraries, and rural hospitals to rise, but also increasing the cost to state government and its other network and service users. Rather, the Commission must take such existing purchasing consortia into account in its deliberations and make provisions which allow them to continue operating in the very cost effective manner which they do today. These volume discounts, when combined with the discounts suggested for the universal service fund, will bring truly low cost service to the eligible entities.

A good example of this aggregation process is our Georgia Statewide Academic and Medical System (GSAMS) Network. GSAMS connects approximately 377 distance learning sites (with projected growth to nearly 400 sites this fiscal year) throughout the state. Of these sites, 169 are installed in K-12 schools, with another 21 scheduled for installation or in the planning stages. The remaining sites are at University System Institutions, Technical and Adult Educational Schools, Correctional Facilities, and some state administrative training sites. The distance learning process involves all these sites working together as a team to deliver educational programming among themselves. In addition to network services, maintenance and equipment and other services supporting GSAMS are purchased from competitively bid volume-based contracts which provide low per unit cost. To deaggregate and disconnect the K-12 school sites from this network would cause costs for all users to rise. It would also significantly impact the delivery of distance education on the network, since much of the programming for K-12 schools originates from the higher education sites.

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The telemedicine portion of GSAMS reflects this same volume discount situation, particularly since its network services are provided under the same contracts as the distance learning sites. Of the current 46 telemedicine sites, 39 are in rural Georgia. Further, most of the 15 additional sites which are expected to be added this fiscal year are also in rural areas of the state. The Telemedicine Network operates in a hub and remote arrangement, with rural hospitals as the remotes and urban hospitals (including two teaching hospitals) as the hubs. Remotes are assigned to their respective primary hubs for support, and switched via GSAMS network when they require specialist assistance from another hub site or one of the teaching hospitals. Deaggregation would create a situation similar to that expressed above for distance learning.

The GSAMS network provides 1/2-T1 connectivity, switching, and multipoint bridging to all distance learning sites. The telemedicine sites are provided full-T1 connectivity and similar switching and multipoint bridging. The volumes of both applications are combined for contracting with service providers for both the intraLATA and interLATA networks. The interLATA network requirements are further aggregated with all state interLATA network requirements (e.g. voice and data) into a consolidated backbone that is competitively bid as a unit for the most favorable pricing. We have, in fact, recently begun moving these T1s into a competitively procured DS3 backbone to further reduce the cost to all users. We are absolutely convinced that the volumes we are able to aggregate and bring to the table result in lower costs for all network users. Loss of the volumes from GSAMS would significantly increase the cost of other network services to state government and its taxpayers.

When we first negotiated the contracts for the provision of GSAMS intraLATA network services we did so based on an expected 200 sites. When it became obvious that the number of sites, just for distance learning, would likely double this number, we were able to leverage this volume to reduce the network rates by an additional 22%. Likewise, as noted above, when we added the supporting interLATA T1 network backbone requirements to those for the rest of the state's voice and data networking, we were able to obtain significantly discounted pricing and in fact have now been able to justify DS3 in our interLATA network, further reducing costs for all network users. These reductions in network costs were not unexpected as we had seen similar volume-based reductions in maintenance and other GSAMS related costs.

Removing the GSAMS distance learning and telemedicine services from the backbone would significantly increase the cost of networks services to other users. Again, the end result is that the taxpayer is burdened with the additional avoidable costs for both programs.

This same shared use and volume aggregation for lower pricing concept applies to other services provided to local and state government users, such as dialtone, long distance calling, Internet access, etc. For example, the standard GSAMS site includes three telephone lines which support the video services and a fax machine. These lines are typically provisioned from state operated joint use telephone systems which enjoy volume discounts similar to those described for the video network services above. We also provide Internet access services to several eligible schools and health care agencies, using similar volume discounted network services.

We believe that preventing state telecommunications organizations like ours from aggregating the volumes from both universal service fund eligible entities and the rest of our state and local government telecommunications service users will have a detrimental effect on the cost to both groups. This is not the intent of the 1996 Telecommunications Act or of the Recommended Decision. We believe that the same discounts that would be directed to discount eligible entities should be funneled through DOAS-IT, with adequate protection provided to insure that non-eligible entities do not receive the discounts.

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We would also like to comment in two other areas: the issue of who should contribute to the universal service fund and the method of procurement of services.

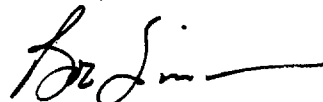
With regard to the first, we recommend that the Commission establish as broad-based a group of service providers as possible as contributors to the universal service fund. In reality any contributions will be passed on to the rate payer. By spreading the cost over a broad base, the cost applied to individual services will be reduced. This will help hold down the cost of service to state and local governments and their local constituencies. This concept also supports that part of the Recommended Decision which suggests competitive neutrality be maintained in the distribution of costs for the universal service fund.

Lastly we would suggest that the Commission closely examine the process for eligible entities to procure services as proposed in Section 602 of the Recommended Decision. We have informally consulted with our state purchasing staff and they have expressed concern that the suggested method (posting the requirements on a web site) may not satisfy the competitive bidding requirements of the state's procurement code. This would inhibit the state's ability to comply with a final order. It would also inhibit many local government entities compliance, most of whose procurement codes either mirror or closely mirror those established by the state.

In summary, DOAS-IT commends the Joint Board for their thoroughness in investigating this matter. Their recommendations are generally soundly based. We do have concerns in three areas, as detailed above. First, that the Commission not inadvertently undermine the value of the consolidated network and aggregated purchase arrangements which we have already put in place or can put in place by DOAS-IT to meet the needs of the entities eligible for universal service fund support. Second, we believe the source of contributions to the universal service fund should be broad based. Third, we encourage the Commission to insure that it does not require those eligible for universal service fund assistance to follow a procurement process which is in conflict with established statutory requirements governing their purchase of goods and services.

We appreciate the opportunity to provide comments to the Commission in this matter, and the willingness of the Commission to hear our concerns. We would like to make an open offer to the Commission to provide any additional clarifying information that would assist them in reaching their decisions in this important matter.

Sincerely,

A handwritten signature in dark ink, appearing to read "R. Simpson", followed by a horizontal line extending to the right.

Robert K. Simpson
Director